

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Richard M. Cieri (RC 6062)
Marc Kieselstein (admitted *pro hac vice*)
David R. Seligman (admitted *pro hac vice*)
Jeffrey S. Powell (admitted *pro hac vice*)
Mark E. McKane (admitted *pro hac vice*)

Counsel for the Reorganized Debtors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

Calpine Corporation, et al.,

Reorganized Debtors.

)
)
) Chapter 11
)
)

Case No. 05-60200 (BRL)

) Jointly Administered
)

**DECLARATION OF GUY TIPTON IN SUPPORT OF REORGANIZED DEBTORS'
MOTION FOR SUMMARY JUDGMENT DISCHARGING
SAI TRUST'S CLAIM NOS. 6309, 6314, 6315, 6316, 6327 AND 6328**

1. I, Guy Tipton, am over the age of eighteen and all of the following statements are made based on my personal knowledge and if called upon, I would testify thereto under oath. I make this declaration in support of the Reorganized Debtors' Motion For Summary Adjudication Discharging SAI Trust's Claims Nos. 6309, 6314, 6315, 6316, 6327 and 6328. (the "Motion").¹

A. Background Of Calpine's Operations At The Geysers.

2. I am employed by Calpine Operating Services Company, Inc., as Regional Controller for the Geysers facilities, including the West Ford Plant. I have been in this position

¹ Any capitalized terms used herein but not otherwise defined shall have the same meaning as ascribed to them in the Motion.

since 1999, under various titles. Prior to working as the Regional Controller, I worked as a plant operator at the Geysers for approximately 12 years. I submitted a Declaration in support of Debtors' Objection to SAI Trust's Motion for Relief From Stay and Reply to SAI Trust's Response to the Debtor's Eleventh Omnibus Claims Objection to SAI Trust's Proofs of Claim and I incorporate that declaration herein.

3. In 1984 SAI Trust entered a long term electricity purchase agreement (i.e., a Qualifying Facility ("QF") standard offer power purchase agreement) with Pacific Gas and Electric ("PG&E"). In the late 1980s a power plant was built at The Geysers, currently known as the West Ford Flat plant ("West Ford Plant"), to provide the power to PG&E. At the time SAI Trust's predecessor entered into QF contract with PG&E, the West Ford Plant had not been built. It is my understanding that an affiliate of SAI Trust was retained to design and construct the plant.

4. Calpine did not own or operate any power plants at The Geysers at that time and did not become involved at The Geysers until 1989, when it purchased a one megawatt interest in the Aidlin plant. Prior to 1998, Calpine came to own or have interests in four plants spread across the 30 square miles of the Geysers steam field, including the West Ford Plant.

B. The Debtors Properly Allocate Costs To SAI Trust.


5. In the Purchase Agreement, a copy of which is attached to the Motion as Exhibit B, SAI Trust sold its interests in the 1984 QF power purchase agreement between PG&E and SAI Geothermal, Inc. to Freeport, but retained the rights to monthly net profit interest payments from operation of the West Ford Plant (the "Project"). The Purchase Agreement defines Net Income and sets forth the Net Profit Interest. Attached to the Purchase Agreement is "Exhibit F" which is a standard "Accounting Procedure Joint Operations" section of model contracts drafted by the Committee on Petroleum Accounting Standards. There is no reference to SAI Geothermal or Freeport in Exhibit F, and it is my understanding that the parties did not draft Exhibit F, instead Exhibit F incorporates accounting procedures for joint operations used in the petroleum

industry.

6. I set forth the details of Calpine's allocation of direct operating expenses in detail in my First Declaration. Further relevant information includes the fact that, beginning in approximately 1999 Calpine acquired 14 generating units at The Geysers from PG&E and the related Unocal steam fields and then owned substantially all of the generating units and steam fields at The Geysers. The Reorganized Debtors own 19 of 22 generating units at The Geysers. In 1999, Calpine began to streamline and consolidate the operation of the plants and the steam fields into operational areas, and all its Geysers units into one consolidated operation. For example, Calpine consolidated its technical employees (e.g., chemists, operators, and engineers) into departments based upon job classification. The change facilitated Calpine's ability to support multiple plants and eliminate the cost of duplicating this technical expertise at each plant. Calpine consolidated its operation and business units with the intent to achieve efficiencies and costs savings associated with economies of scale.

7. Attached as Exhibit C to the Motion is a true and correct copy Calpine's Geysers website describing its operations. As stated on Calpine's website, Calpine's efforts at The Geysers, including its consolidated operations have garnered Calpine the "Outstanding Lease and Facility Maintenance Award" from the California Department of Conservation for environmental cleanup, infrastructure maintenance and safety for six consecutive years.

I declare under penalty of perjury pursuant to 28 U.S.C. section 1746 that the foregoing is true and correct. Signed this 13th day of August, 2008.



Guy Tipton